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The Shipping Act of 1984:

Surveys of Agricultural Shippers

Abstract

Ocean transportation is an integral component in agricultural export marketing. The Shipping Act of 1984 regulates ocean liner common carriers, and directly affects most high-value product importers and exporters. Based on the results of industry opinion surveys, agricultural shippers favor ocean liner regulation that promotes increased carrier competition, freight contracting, rate-making flexibility, and dissemination of market information. Many shippers perceive that the elimination of ocean liner conferences would reduce long-term rate levels. The survey results indicate that most shippers want the unrestricted ability to negotiate freight contracts with individual carriers.

Key words: Ocean shipping, ocean conferences, exports, antitrust immunity, tariffs, service contracts, independent action.

Cover photograph by Carl Harris, courtesy of the Maryland Port Administration.

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The Shipping Act of 1984:
Surveys of Agricultural Shippers

by

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Executive Summary

The objective of this report is to summarize the opinions of agricultural shippers regarding the Shipping Act of 1984. The act regulates ocean liner common carriers, an industry that each year transports billions of dollars worth of high-value agricultural commodities such as meat, fruits and vegetables, peanuts, tobacco, forest products, and cotton to foreign markets. In 1990, a joint Congressional and Executive commission will begin reviewing the impact of the act on maritime commerce. The objective of the review will be to determine whether the act should be retained, revised, or eliminated.

The cost and quality of ocean liner service have a direct impact on the competitiveness of U.S. agricultural exports. About $12 billion to $14 billion worth of agricultural products are transported to overseas markets on liner vessels each year. The total annual freight bill for agricultural liner exports is about $2 billion to $2.5 billion. For many commodities, ocean freight accounts for 10 to 30 percent of the total landed cost in the foreign market. As a result, changes in freight rates can affect the quantity of foreign demand for agricultural exports.

The Shipping Act of 1984 grants antitrust immunity to carriers to allow them to form conferences (cartels) to set cargo rates and apportion markets. The majority of outbound liner vessel capacity is currently managed under the auspices of shipping conferences. Recent periods of rate volatility and disputes over the use of ocean freight contracts have raised questions regarding the conduct and legitimacy of transportation cartels in a modern business environment. Many agricultural shippers are concerned with the current status of ocean shipping. They feel that conference pricing and contract policies frequently conflict with their needs and with prevailing market conditions.

Five organizations distributed opinion surveys to agricultural shippers regarding the Shipping Act of 1984 and ocean shipping issues. The United Fresh Fruit and Vegetable Association, the National Forest Product Association, the National Potato Council, the Southeastern Peanut Association, and Washington State University distributed a total of 836 surveys to agricultural shippers across the country. A total of 149 responses were received from fruit and vegetable, peanut, hay, processed product, and forest products shippers. The respondents account for about $360 million in agricultural trade with 20 nations. In addition to the five surveys, the American Cotton Shippers Association provided a position paper that represents the views of its national membership of cotton growers, brokers, and exporters.

The survey and position paper results indicate that agricultural shippers favor ocean shipping regulation that promotes increased carrier competition, freight contracting, rate-making flexibility, and dissemination of ocean freight market information. Many shippers would like the conference system eliminated. From their perspective, elimination of conferences would have a favorable long-term impact on carrier rate and service competition. If conferences are not eliminated,

most shippers advocate increased competition within the conference structure, through mandatory independent action on tariff rates and service contracts. In addition, many shippers desire rate-making flexibility through (1) a reduction in the notification period on independent action, (2) no mandatory volume requirement on service contracts, and (3) rates on a per-container basis. A majority of the shippers surveyed support continued tariff filing and enforcement by the Federal Maritime Commission (FMC).

The Shipping Act of 1984: Surveys of Agricultural Shippers

Robert E. Neenan

Introduction

The purpose of this publication is to summarize the opinions of shippers on the Shipping Act of 1984, based on five industry surveys and an association position paper. The intent of the surveys was to identify the features of the act that have benefited exporters and importers, and aspects that may require revision. The surveys were designed and distributed by the United Fresh Fruit and Vegetable Association, the National Forest Products Association, the National Potato Council, the Southeastern Peanut Association, and Washington State University. These organizations distributed the surveys because they believe that ocean shipping regulation is important to the agricultural trade they represent.

The modern ocean shipping industry consists of several markets or sectors. Each market is defined by the services offered, type of cargo transported, and terms of carriage. The common carrier or "liner" market is generally comprised of international containership operators plying fixed schedules and routes between U.S. and foreign ports. Liner carriers annually transport billions of dollars worth of farm and forest products from the United States to foreign markets.

The Shipping Act of 1984 (PL 98-237) is the legislation that regulates the ocean liner industry. The act influences the level of competition in maritime trade by granting broad antitrust immunity to carrier conferences (cartels). To counter the market power of the conferences, the act contains provisions designed to encourage carrier rate and service competition. The act also establishes ocean freight tariff filing practices. The act directly affects the rates and services available to all high-value-product agricultural exporters, and many other facets of maritime commerce.

As the level of competition in the global marketplace increases, the need for efficient and cost-competitive ocean transportation services becomes more critical. About 85 percent of all U.S. agricultural exports are transported to their destination by ocean vessels.[(27)] [1] Ocean transportation costs significantly influence the competitiveness of agricultural exports, frequently accounting for a large portion of the price charged to foreign buyers. For exporters of perishable food products, careful and expedient delivery by the ocean carrier is critical to maximizing product shelf-life and foreign customer satisfaction.

Since enactment of the Shipping Act of 1984 there has been considerable controversy regarding ocean liner regulation. Recent rate increases have fueled shipper perceptions that carriers use the conference system to maintain freight rates at levels higher than free-market conditions might warrant. Also, the use of ocean shipping contracts has been a divisive issue between shippers and carriers, resulting in litigation in U.S. District Court. Furthermore, there has been contention over rebating, tariff surcharges, cargo weight limits, and the use of

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[1] *Superscript numbers in parentheses indicate sources in the Reference section.*

per-container freight rates. These and other controversies have generated interest in the future direction of ocean liner regulation.

The Shipping Act of 1984 contains provisions that mandate a review of the legislation 5 years after enactment. The review process has begun; it will culminate with a Congressional review in 1991. The objective of the review is to evaluate whether the act should be retained, revised, or eliminated. It will shape the future scope and direction of ocean liner regulation, and will have a direct bearing on the long-term competitiveness of U.S. agricultural products in foreign markets. Since agricultural shippers are one of the primary users of ocean shipping services, their needs and concerns should be considered in the review process.

I. The Shipping Act of 1984

The Shipping Act of 1984 has a broad regulatory scope, embracing a wide range of maritime activities. The act affects ocean ports, marine terminal operators, freight forwarders, importers, and exporters. The primary objective of the act is to regulate international ocean common carriers operating to or from U.S. shores. The ocean common carrier (or liner) industry is comprised of domestic and foreign firms that operate vessels on regularly scheduled routes between the United States and foreign ports. Typically, modern liner carriers operate containerships that are designed to transport cargo stowed in 20-to 45-foot-long ocean shipping containers.

Carriers that operate on a single shipment contract (trip) or time charter basis (e.g., bulk grain, oil, coal) are generally not affected by the act. The contractual nature of their business precludes them from common carrier regulation. In addition, the scope of the act does not include maritime labor agreements, the carriage of goods on domestic waterways (cabotage), or maritime cargo preference programs.

The Shipping Act of 1984 has three declared purposes: (1) to establish a nondiscriminatory regulatory process for the common carriage of goods in foreign commerce, (2) to provide an efficient and economic ocean transport system that is in harmony with international practices, and (3) to encourage the development of the U.S.-flag liner fleet.

A primary function of the act is to grant antitrust immunity to ocean common carrier conferences. Carriers formulate conferences or agreements to fix rates, pool revenues, apportion markets, limit the volume or character of cargo transported, and control competition in international ocean shipping. Shippers cannot challenge the formation of conference agreements, but the FMC can seek injunctive relief for any agreements that it considers to be substantially anti-competitive.

Conferences tend to limit their activities to a specific import or export trade route. The objective is to increase carrier revenue by regulating the price and availability of transportation services in that geographic region. Carriers can choose to operate independently and not join the conference, but the U.S.-outbound conferences presently control about 50 to 70 percent of all outbound vessel capacity.[6] Conferences are required by the act to have open membership. Presently, most conferences are comprised mainly of foreign-flag carriers.

In addition to antitrust provisions, the act establishes rules for filing ocean freight tariffs. Common carriers are required to file tariffs with the FMC and make them available for public inspection. The tariffs must contain all of the rates, rules, and services offered by each carrier and conference. Intermodal rates that include charges for the inland movement of cargo to and from ports are also filed in the tariff. In addition to the base rate, carriers frequently include bunker fuel, currency adjustment, terminal handling, and port congestion surcharges in the tariff. However, four groups of commodities are exempt from tariff filing requirements: bulk cargo, forest products, recycled metal scrap, and waste paper.

Ocean common carriers are prohibited from engaging "in any unfair or unjustly discriminatory practice in the manner of rates." However, the Shipping Act of 1984 does not provide the FMC or shippers with authority to challenge the "reasonableness" or "fairness" of carrier tariff rate increases. The Shipping Act of 1916 granted the FMC the authority to review the "reasonableness" of proposed rate increases, and establish maximum freight charges. The 1984 act simply requires that the FMC ensure that both shippers and carriers adhere to the published tariff rates and rules.

The act prohibits a number of practices. Common carriers are prohibited from rebating, offering unreasonable preference to any shipper, employing "fighting ships" to drive off competitive carriers, or engaging in predatory practices. Shippers are prohibited from demanding rates not listed in the tariffs, or providing false information regarding the weight or contents of cargo shipments. One of the primary responsibilities of the FMC is to investigate potential infractions of these and other provisions of the act, and assess penalties for violations. One of the most common infractions has been rebating, where FMC investigation has revealed numerous violations.[2]

The framers of the act attempted to balance both shipper and carrier interests. Although the act affords a great deal of latitude to carriers to form agreements and operate collectively, the act also includes a number of pro-competitive features. These features include: independent action, loyalty contracts, service contracts, and shippers' associations.

The mandatory right of independent action is one of the key provisions of the Shipping Act of 1984. Conferences must allow members to offer a lower rate or different type of service than specified in the conference tariff. The FMC must receive at least 10 day's notice prior to enactment of the independent action, but conference approval is not required. Independent action rates or services must be made available to all shippers of that particular commodity.

Independent action can serve as a competitive "relief valve" for the conferences to respond to changing market conditions. Independent action can increase rate-making flexibility and vent competitive pressures among conference members. Each conference member is allowed the latitude to act independently of conference-wide decisions. This may result in fewer carriers opting to leave conferences to pursue individual pricing strategies. This provision of the act has been widely used; over 45,000 independent actions were adopted between 1985 and 1988.[6]

The act also created a new form of ocean freight contractual agreement, called a "service contract." A service contract is an agreement between a shipper and a carrier in which the shipper commits a specified volume of cargo, over a fixed period of time, in exchange for carrier rate concessions and specific service obligations. The essential terms of the contract must be filed with the FMC, and made available for public inspection. These essential terms must be made available to any "similarly situated shipper" interested in obtaining a service contract for that commodity. Over 17,000 service contracts were filed with the FMC from 1984 to 1988, primarily by independent carriers.[6]

The mandatory right of independent action does not extend to service contracts.

Conferences may prohibit their members from entering into these arrangements, but cannot prevent independent (nonconference) carriers from entering into service contracts. A number of conferences have chosen to prohibit individual service contracts, contending that they undermine their rate-making process.

In 1986, the Transpacific Westbound Rate Agreement (TWRA), which serves the Asia-bound trade route, enjoined its members from individually or jointly writing service contracts. About 73 percent of the total container capacity in that trade route in 1986 was provided by TWRA conference members.[6] The TWRA management felt that the proliferation of service contracts after passage of the Shipping Act was undermining conference rate-making authority. Prior to this decision, about 40 percent of total conference tonnage was moving under service contracts.[6]

The act also provided for a second form of freight contracts--loyalty contracts. A shipper using a loyalty contract commits a fixed *percentage* of cargo to the carrier in exchange for rate and/or service concessions. This contrasts with service contracts, where a fixed *volume* of cargo is obligated. Due to conference prohibitions, very few loyalty contracts have been formulated since 1984.

In 1988 the FMC asked six conferences to respond to complaints that their prohibition of individual loyalty contracts was a violation of the Shipping Act of 1984. Some shippers contended that loyalty contracts (unlike service contracts) are tariff items, and the act extends the mandatory right of independent action to all tariff items. The FMC ruled in 1988 that mandatory independent action does not extend to loyalty contracts. The Commission found that loyalty contracts are similar to service contracts, and can be prohibited by conferences. The Commission stated that: "Application of independent action to loyalty contracts would undermine the statutory scheme established by Congress when it authorized conferences to control the exercise of independent action on service contracts."[1] The Department of Justice and several shippers took this issue to U.S. District Court, where the FMC decision was upheld.

Restriction of ocean freight contracting can have a considerable impact on agricultural exporters. First, shippers using service contracts typically achieve rate reductions of 10 to 25 percent from the carrier.[6] In some cases, rate reductions of this magnitude can have a considerable impact on the competitiveness of the product.

Second, service and loyalty contracts enhance a shipper's ability to forward-contract sales. Unlike bulk cargo transportation, there is no futures market for ocean liner freight. Many agricultural commodities such as peanuts and cotton are sold many months in advance of harvest. The shipper cannot quote an accurate total landed price to the foreign buyer without knowledge of future ocean freight rates. Contracts give the shipper the ability to lock-in future freight rates, to hedge against future rate increases. Between 1984 and 1988, 73 percent of all service contracts were for periods in excess of 9 months, suggesting that forward price contracting is an important aspect of service contracts.[6] Respondents to the 1987 FMC shipper survey said that the most important factor for using service contracts was to avoid the risk of freight rate increases.[7]

Third, some shippers perceive that contracts provide the opportunity to establish an ongoing partnership with carriers. They contend that the essence of a contract is the mutual sharing of risks and rewards with the goal of expanding markets. One shipper stated that "Loyalty and service contracts, fairly and properly negotiated to serve the interests of both the carrier and customer, are essential elements of the formulation for successful competition in the global marketplace of the future. It is only through these partnerships that U.S. trade interests can be properly served."[17] A recent series of ocean shipping workshops conducted by the USDA Office of Transportation revealed the great extent to which agricultural shippers need and desire to establish long-term, mutually beneficial contractual relationships with ocean carriers.[17]

Shippers' associations are another pro-competitive feature of the act. The act allows shippers to band together and consolidate freight on a nonprofit basis to achieve volume rate discounts. Conferences are prohibited from refusing to negotiate with shippers' associations. There are presently about 40 active shippers' associations in the United States; very few deal exclusively in agricultural products.

In summary, the Shipping Act of 1984 directly influences the competitive environment in ocean liner shipping. Antitrust immunity effectively permits the restriction of competition among ocean carriers. The FMC and shippers have limited avenues to prevent the formation of conferences whose primary objective is to fix rates, set service levels, and control competition. However, the act also contains pro-competitive features designed to encourage rate and service competition among carriers. Independent action, loyalty contracts, service contracts, and shippers' associations were incorporated into the act to ensure that shippers could negotiate for the rates and services necessary to compete in the global marketplace.

II. Agricultural Exporting and the Ocean Liner Industry

Agricultural Trade

Why is the Shipping Act of 1984 and the regulation of ocean liner carriers important to U.S. agriculture? Export trade is vital to agriculture, as indicated by the fact that in recent years 23 to 41 percent of all U.S. farm land was devoted to producing commodities for foreign markets (Table 1). In 1989, about 121 million acres of farm land were used for export production, 41 percent of all farm acreage.

Agricultural trade has been quite volatile in recent years. Total agricultural exports declined from $41.2 billion in 1980 to a decade low of $26.3 billion in 1985. This was primarily due to a considerable decline in bulk grain and feed (non-liner cargo) exports during that period.(21) However, farm exports have rebounded since 1985, increasing to an estimated $39.9 billion in 1989.

Table 1--Total agricultural exports and production acreage required, 1980-89

Year	Agricultural exports[1]	Acreage required for exports	Percent of acreage exported
	$ billions	*million acres*	*percent*
1980	41.2	137	37
1981	43.3	129	36
1982	36.6	113	31
1983	36.1	124	41
1984	37.8	96	28
1986	29.0	79	23
1985	26.3	94	29
1987	28.6	96	30
1988	36.5	107	38
1989	39.9	n.a.	n.a.

Notes: [1] Bulk and non-bulk commodities combined
n.a. = data not available
Source:
Desk Reference Guide to U.S. Agricultural Trade, U.S. Department of Agriculture, Foreign Agricultural Service, Agriculture Handbook No. 683, Mar. 1990.

One of the primary reasons for improved trade has been the exportation of high-value products such as apples, oranges, almonds, frozen french fries, planting seeds, tobacco, meat, and cotton. These commodities are generally transported to foreign markets by ocean liner vessels. As shown in Table 2, the value of agricultural exports transported by liner vessels increased from about $7.5 billion in 1980 to over $14 billion in 1988. As a result of this growth, agriculture has

become one of the largest single users of liner services. Agricultural products accounted for over 21 percent of the total value of U.S. liner exports in 1988. In comparison, the chemical industry exported about $6 billion worth of commodities, 10 percent of the total value of liner cargo.[29] The total ocean freight bill for agricultural liner exports is about $2 billion to $2.5 billion annually.

Table 2--U.S. liner exports, 1980-88

Year	Total Liner exports	Agricultural liner exports	Percent agricultural
	$ billions	*$ billions*	*percent*
1980	66.79	7.46	11.2
1981	69.13	10.01	14.5
1982	66.02	9.17	13.9
1983	58.25	9.61	16.5
1984	57.37	10.77	18.8
1985	55.58	10.01	18.0
1986	57.60	10.69	18.6
1987	64.47	13.04	20.2
1988	67.91[1]	14.80[1]	21.8.

Note: [1] Preliminary estimate
Sources:
1. *United States Oceanborne Foreign Trade Routes*, U.S. Department of Transportation, Maritime Administration, Washington DC, Sept. 1982-1989 editions.
2. *Desk Reference Guide to U.S. Agricultural Trade*, U.S. Department of Agriculture, Foreign Agricultural Service, Agricultural Handbook No. 683, Jan. 1989.

Agricultural exports contribute to domestic economic growth, creating an estimated 781,000 jobs in the farming, processing, assembly, and distribution industries.[26] It has been estimated that each dollar received from agricultural exports generates an additional $1.51 worth of domestic economic activity.[26] Based on this estimate, 1988 agricultural liner exports stimulated an additional $22.3 billion in U.S. economic activity.

The five major agricultural commodity groups (by value) that are transported by liner are: cotton and wool fibers, meat and hides, forest products, fruit and vegetables, and tobacco. During the period 1982-87, these commodities accounted for an average of over $9 billion per year worth of liner trade, as indicated in Table 3. In terms of value, the leading commodity group was cotton and wool fibers, at an average of over $2.3 billion worth of liner exports per year. In terms of volume, the leading agricultural liner commodity during that period was forest products, averaging 5.83 million metric tons per year. These

commodities are produced in many areas, but the leading production areas tend to be in the Western States. In addition to the commodities listed in Table 3, significant quantities of tree nuts, planting seeds, processed food products, nursery stock, dairy products, and wine are also exported on liner vessels.

Table 3--Leading U.S. agricultural commodities exported by liner, 1982-87

Commodity groups	Average value of liner exports 1982-87	Average volume of liner exports 1982-87	Leading production area
	$billion/year	*million metric tons/year*	*State*
Cotton, wool, & fibers	2.34	1.64	Texas
Meat, hides, & skins	1.90	1.01	Kansas
Forest products	1.82	5.83	Oregon
Fruit & vegetables	1.67	1.78	California
Tobacco (unmfg.)	1.40	0.23	N Carolina

Sources:
1. *United States Oceanborne Foreign Trade Routes*, U.S. Department of Transportation, Maritime Administration, Sept. 1989.
2. *Foreign Agricultural Trade of the United States*, U.S. Department of Agriculture, Economic Research Service, Calendar Year 1988 Supplement, July 1989.
3. *Agricultural Statistics 1988*, U.S. Department of Agriculture, Government Printing Office, 1988.

Japan is the largest single customer for U.S. agricultural exports (Table 4). Japan imported more than $8 billion worth of bulk and high-value U.S. agricultural products in 1989, equivalent to about $65 for every Japanese citizen.[23] In comparison, the 12 European Community nations combined imported $6.5 billion, or about $20 per capita. The Far East is the largest regional market for U.S. agricultural products, due to rapid economic growth in Japan, Hong Kong, Indonesia, Malaysia, Singapore, South Korea, Taiwan, and Thailand. Far East countries imported $16.4 billion worth of bulk and liner U.S. agricultural products in 1989.[21] As a result, west coast container ports such as Los Angeles, Oakland, Portland, and Seattle are important links in international agricultural marketing.

The United States also imports about $20 billion worth of agricultural commodities annually, over $8 billion of which are transported on liner vessels.[21][29] Agricultural cargoes account for about 14 percent of the total volume, 6 percent of the total value of U.S. liner imports.[29] The major imports are: coffee, cocoa, tea, and spices ($4.9 billion); fruit and vegetables ($2.4 billion); and meat ($1.8

billion).[29] Major overseas suppliers of these commodities include the European Community, Brazil, Australia, and New Zealand. The top three arrival ports for agricultural liner imports are New York, Philadelphia, and New Orleans.[21]

Table 4--Major markets for U.S. agricultural exports

Commodity group	1988 Market rankings[1]		
	#1	*#2*	*#3*
Cotton	Japan	S. Korea	Italy
Meat, hides, & skins	Japan	S. Korea	Mexico
Forest products	Japan	Canada	China
Fruit & vegetables	Japan	Canada	W. Germany
Tobacco (unmfg.)	Japan	W. Germany	Netherlands
All farm commodities[2]	Japan	S. Korea	Canada

Notes: [1] All modes of transport included
[2] Including grain, feed, and other bulk commodities

Sources:
1. *Foreign Agricultural Trade of the United States*, U.S. Department of Agriculture, Economic Research Service, Calendar Year 1988 Supplement, July 1989.
2. *Foreign Agriculture 1989*, U.S. Department of Agriculture, Foreign Agricultural Service, Oct. 1989.

Ocean Freight Costs

Ocean freight accounts for a significant portion of the total cost of exporting agricultural products. As a result, the frequency and magnitude of freight rate increases can directly impact product competitiveness. A recent FMC study found that rates became significantly more unstable in some Asian trade routes after passage of the Shipping Act of 1984.[6] The impact of rate volatility on agricultural export costs for selected high-volume exports to Japan is demonstrated in Table 5.

In 1989, the U.S. exported about 125,000 metric tons of hay bales and cubes. Hay is currently the third largest containerized Asia-bound cargo (by volume), behind cotton and refrigerated foods.[11] Exporters of alfalfa hay cubes (compressed animal fodder) experienced a significant increase in ocean liner freight costs between 1987 and 1989. Ocean freight increased from 28 percent to 37 percent of total delivered commodity cost. In dollar terms, this increase was equivalent to about $27 per metric ton. During the same period, the proportion of total landed cost attributed to commodity production cost declined from 62 percent to 55 percent. In short, the cost of delivering the product grew at a much faster rate than the cost of producing the product.

In 1989, ocean freight accounted for 31 percent of the landed cost of

containerized California orange exports to Japan, compared to 24 percent in 1987. This change was primarily due to a significant increase in ocean liner freight charges. Production costs (including packing house costs) declined from 73 percent of total landed cost for oranges in 1987, to 67 percent in 1989.

Typical ocean liner freight costs for California cotton exports increased from 3 percent to 5 percent of total landed cost between 1987 and 1989, a 66-percent increase. Similar to hay and citrus exports, ocean transportation costs for cotton have increased more rapidly than production or domestic transport costs. The United States is the leading cotton exporting nation, but must compete with Pakistan, China, Australia, and many other nations in the world market. Based on a 12-nation model of international cotton trade, Pinar and Stennis concluded that: "transportation costs are very significant and do influence international trade. Moreover, these costs are one of the important factors in determining the competitive positions of the countries in the world market."[18]

Table 5--Ocean liner freight rates as a percent of total landed cost in Japan, 1987-89

Product cost component	1987	1989
	percent of total cost	
Alfalfa hay cubes		
Production cost[1]	62	55
Transport to U.S. port[2]	10	8
Ocean freight to Japan	28	37
Oranges		
Production cost[3]	73	67
Transport to U.S. port[4]	3	2
Ocean freight to Japan	24	31
Cotton		
Production cost[5]	96	94
Transport to U.S. port[4]	1	1
Ocean freight to Japan	3	5

Notes: [1] FOB cubing plant
[2] Pacific Northwest origin
[3] FOB packing house
[4] California origin
[5] Includes bale compressing costs

Liu and Roningen[16], and Johnson[14] have estimated long-run price elasticity of export demand for U.S. cotton. Based on their findings, a 10-percent long-term

increase in ocean freight rates could result in a 2- to 3-percent decline in cotton exports, all other factors held constant. Conversely, a 10 percent long-term decrease in freight rates could result in a 2- to 3-percent increase in cotton exports, all other factors held constant. Although these are general estimates, they illustrate the fact that ocean freight rates can have a direct bearing on long-run quantity demand. Foreign buyers are indifferent to the cause of price increases (freight rates, harvesting costs, water costs, import duties, etc.); buyers respond only to the magnitude of the price change.

The growth in freight rates relative to other costs is an area of concern to many exporters. The United States is not always the low-cost supplier of some commodities, and developing nations are challenging for market share. Increases in domestic water, labor, and other costs can yield a cost advantage to these foreign competitors. Large increases in ocean freight charges can compound these problems, and erode long-term agricultural competitiveness.

Ocean Liner Services

In addition to competitive freight rates, agricultural shippers require quality liner service. The FMC has examined changes in the volume and frequency of liner service since the passage of the act. The FMC found that in many trade routes, the number of port calls and number of vessel voyages had increased slightly.[6] The total capacity offered increased in most trade routes, as many carriers deployed larger vessels. In general, the FMC found that "No discernible systematic and direct effects of the 1984 act on the provision of direct services were detected".[6]

However, one important area of ocean liner service--transit time--did not improve from 1984 to 1988. As summarized in Table 6, the FMC found that the average minimum transit time to most major destinations increased during this period. Minimum transit time is defined as the elapsed time between when the vessel leaves the last point of loading in the United States and when it arrives at the first foreign port of discharge. For example, the Pacific Coast to Northern Asia average minimum transit time increased from 14 to 15 days (Table 6). The FMC attributed these transit time increases to changes in voyage route configurations, and noted that conference carriers had tended to maintain shorter transit times than independent carriers.[6]

Table 6--Average minimum vessel transit time, 1984-88

U.S. outbound trade route	1984	1988	Increase
	average minimum days transit time[1]		
West Coast to N. Pacific	14	15	1
East Coast to N. Pacific	27	37	10
West Coast to S. Pacific	31	33	2
East Coast to N. Europe	11	17	6
Gulf Coast to N. Europe	14	18	4
East Coast to Italy	19	23	4

Note: [1] Average minimum transit time from last port of lading to first port of discharge

Source:
Section 18 Report on the Shipping Act of 1984. Federal Maritime Commission, Washington, DC, Sept. 1989.

Many agricultural commodities are highly perishable, and are very sensitive to in-transit vibration and relatively small changes in temperature. For these commodities, minimizing the time in transit will reduce product damage and extend shelf life. Typical post-harvest maximum transit and shelf lives for 12 commonly exported commodities are presented in Table 7.

Many of the commodities in Table 7 have typical storage lives of 14 to 28 days. An extra 1 to 10 days aboard an ocean vessel due to longer sailing time can decrease quality, and the amount of time that the commodity will be suitable for consumption. In some cases, fruits and vegetables can be harvested earlier to extend shelf-life. However, this usually has an adverse impact on product flavor and quality. Clearly, slower or less frequent service is not in the best interest of exporters of perishable commodities. Furthermore, the advent of "just-in-time" supply management makes rapid and dependable delivery a critical factor for many non-perishable commodities such as cotton or tobacco.

Table 7--Maximum transit and shelf life for selected perishable commodities

Commodity	Maximum transit and shelf life[1]
	days
Apples	40 - 240
Apricots	7 - 14
Broccoli	10 - 14
Cherries	14 - 21
Fresh chilled beef	14 - 28
Grapefruit	28 - 42
Lettuce	14 - 21
Oranges	21 - 56
Peaches	14 - 28
Peppers	12 - 18
Plums	14 - 28
Watermelons	14 - 21

Note: [1] Time will vary by variety, season, and shipping conditions.
Source:
Shipping Guide for Perishables. Sea-Land Service, Inc.
Iselin, NJ, 1988.

III. Industry Opinion Surveys

A combined total of 836 surveys were distributed by the four organizations; they received 149 responses. The survey respondents ship a broad spectrum of agricultural products to numerous foreign markets. Appendices B - G contain a summary of responses and copies of each of the surveys with complete results. A number of the organizations chose to use some of the same questions to facilitate intra-industry comparison of opinions. The American Cotton Shippers Association (ACSA) did not conduct a survey, but did issue a position paper regarding the act (Appendix A). The ACSA paper includes views on some issues not covered by the five surveys. The following is a brief overview of the surveys.

The 1989 National Forest Products Association Survey

The National Forest Products Association (NFPA) represents tree growers, lumber and pulp mills, and processors of forest products such as plywood, veneer, and particleboard. The forest products industry is primarily concentrated in the Pacific Northwest and Southeastern United States, but many States produce wood and related products for export. In 1989 total bulk and liner forest product exports exceeded $6 billion.[23]

A copy of the NFPA survey with results tallies can be found in Appendix C. NFPA distributed 172 surveys to members across the country involved with international trade. A total of 23 completed surveys were returned, a response rate of about 13 percent. Responses were received from 12 states: Tennessee (3 respondents), Washington (3), Louisiana (2), New Hampshire (2), Virginia (2), Oregon (2), Alabama (1), Georgia (1), New Jersey (1), Pennsylvania (1), South Carolina (1), and Texas (1).

The respondents included a broad cross-section of the forest products industry. Four of the respondents stated that they were tree growers; 19 were processors of forest products. Some of the respondents are integrated into all facets of the forest products industry. A number of the shippers did not describe themselves solely as "exporters," as they may consider their primary business to be the growing and/or processing of lumber. However, all of the respondents said they have annual exports in excess of $250,000, and a majority export over $5 million worth of products annually. According to the NFPA, the softwood companies that responded represent 22 percent of total U.S. softwood lumber production, and account for about 33 percent of total U.S. softwood plywood production.

The respondents indicated that they ship to both foreign and domestic markets. Export markets included: Japan (10), Taiwan (8), South Korea (6), United Kingdom (6), Spain (5), West Germany (4), Italy (4), Belgium (2), and China (1). Only four indicated that they export more than 50 percent of their shipments; the other 19 shippers export less than 50 percent of their production.

The 1990 National Potato Council Survey

The National Potato Council (NPC) is a national organization of potato farmers, brokers, exporters, and processors. The industry exports both fresh and processed potato products such as frozen french fries. Major export markets include Japan, Canada, and the Caribbean. The primary domestic production areas are in Idaho, Washington, California, and Maine.

The NPC distributed 42 surveys to growers, processors, State agriculture departments, and trade associations. Seven completed surveys were returned, primarily from growers' associations and processors. Responses were received from California, Colorado, North Carolina, Oregon, Pennsylvania, Texas, and Wisconsin. A complete summary of NPC survey results can be found in Appendix D.

Two of the respondents export fresh potatoes, the others export or import frozen or processed potato products. The majority indicated that they export or import in excess of $1 million worth of product annually. None of the respondents provided detailed information regarding the proportion of total product export cost devoted to ocean freight charges.

The 1989 Southeastern Peanut Association Survey

The Southeastern Peanut Association (SPA) represents peanut growers, shellers, brokers, and exporters in Georgia, Alabama, South Carolina, Mississippi, and Virginia. The 18 active members market almost 100 percent of the exports of U.S. peanuts from the Southeast, and approximately 80 percent of all peanuts exported from the United States. Total annual U.S. peanut exports are about $250 million to $275 million. Georgia leads the nation in peanut production, at about $500 million annually.[20] Major export markets include Britain, the Netherlands, West Germany, Spain, Italy, and Japan.[24]

SPA distributed surveys to 18 members, 11 completed surveys were returned--a response rate of 61 percent. A copy of the SPA survey can be found in Appendix E. Many of the SPA survey questions are similar to United and NFPA questions, but the SPA survey covered some additional topics. The respondents included both small and large volume shippers. The majority export $0.5 million to $10 million worth of product annually, but several shippers export over $10 million worth of peanuts each year. Most of the shippers indicated that they export between 10 and 50 percent of their total production.

The 1988 United Fresh Fruit and Vegetable Association Survey

The United Fresh Fruit and Vegetable Association (United) is a national organization that represents growers, packers, brokers, importers, and exporters of fresh produce. The produce industry imports and exports a combined total of $5 billion worth of products annually.[21] Concern over rate volatility, prohibition of service contracts in the Pacific trades, and other issues prompted United to survey its membership on ocean shipping issues.

A copy of the United survey with tallies of results can be found in Appendix F. United distributed 430 surveys to members across the country. A total of 58 (13.5 percent) completed surveys were returned. The respondents included 24 exporters, 13 importers, and 10 brokers. Some of the respondents operate both as importers and exporters. The other 11 respondents indicated that they were active in the growing, packing, and processing of produce--and are likely to have

a direct interest in issues related to exporting.

Responses were received from 10 States, including California (26 respondents), Florida (9), Washington (9), Pennsylvania (4), Oregon (3), Idaho (2), Arizona (1), Michigan (1), New York (1), and Virginia (2). The firms that responded were generally medium-to large-volume shippers. About two-thirds import or export more than $1 million worth of products annually, while only a few import or export less than $250,000 per year.

The respondents ship a wide variety of products; many trade in several commodities and markets. Exports include apples (14 shippers), citrus (13), pears (11), cherries (9), grapes (8), plums (6), peaches (5), melons (5), and assorted vegetables. Almost 78 percent of the respondents sell commodities in the Pacific Rim; 59 percent export to Western Europe. A few ship produce to Canada or Mideast nations. The 13 importers market pineapples, melons, kiwi, apples, grapes, and vegetables. Some traders import and export the same commodity to match seasonal production with consumer demand. Most of the importers obtain their products from Central and South America, Canada, and New Zealand.

The 1988 Washington State University Survey

The Washington State University (WSU) survey was part of an ongoing investigation by the Department of Agricultural Economics into the impact of the Shipping Act of 1984 on Pacific Northwest agriculture.[3] Ocean shipping is important to agriculture in that region; Washington, Oregon, Montana, and Idaho have combined annual exports in excess of $1.5 billion.[21] Major Pacific Northwest agricultural export commodities include apples, fresh and processed vegetables, lumber, meat, and hay.

A copy of the WSU survey is included in Appendix G. As will be discussed in the next chapter, the WSU survey format was different from the other three, but most of the same issues were covered. A total of 174 surveys were distributed by WSU to shippers in Oregon, Washington, and Idaho; 50 were completed--a response rate of 56 percent. The other 47 were not completed, because the firm receiving the survey was not active in international trade, or had gone out of business.

The surveys were distributed to shippers of a wide range of products, and to a number of agricultural cooperatives. The 50 respondents included exporters of apples (16), lumber (12), onions (8), hay (7), and potatoes (7). The seven hay shippers indicated that they export about 82 percent of their production; the onion shippers export 56 percent; lumber, 63 percent; and apples, 41 percent. According to survey results, these firms had been exporting for an average of 21.5 years, suggesting significant familiarity with the ocean transportation system.

IV. Opinion Survey Analysis

The survey analysis in this chapter focuses on five topics: freight rates, conferences, independent action, service contracts, and tariffs. Results will be examined for each survey, and for the entire group. Some of the results of these surveys will be compared with the ACSA position paper, and recent FMC survey results.

The survey results should be a representative guide to the views of agricultural shippers on the Shipping Act of 1984. Although random sampling techniques were not employed, it is likely that the individuals who did respond were active exporters and importers that are informed about ocean shipping issues. Although the surveys questions are not all identical, they are sufficiently similar to draw meaningful conclusions. The differing survey formats and distribution time frames do not preclude estimating a general consensus of opinion on the major issues.

The 149 respondents represent a diverse cross-section of the industry. Combined, they account for about $360 million in agricultural trade in over 20 different commodities shipped to 20 countries. This is the largest group of agricultural shippers to be surveyed on this subject. In comparison, the most recent FMC survey received 400 responses from shippers, about 100 from agricultural shippers.[7]

Freight Rates

Ocean Liner Rates as a Percent of Total Exporting Cost

United and NFPA respondents were asked to estimate the percent of their total landed cost (cost-insurance-freight) that was due to ocean freight charges each year during the period 1982-87 (Table 8). The results illustrate that ocean freight is a significant cost component for exporters, and one that is growing relative to other costs. In 1982, ocean freight accounted for 28 percent of the landed cost of fresh fruits and vegetable exports, according to the United survey. This value increased to 35 percent by 1987. Forest product exporters experienced similar growth in ocean freight costs. In 1982, ocean freight accounted for 9 percent of total landed cost, but increased to 15 percent of landed cost in 1987. Individual responses from both surveys ranged as high as 50 percent.

Table 8--Ocean freight as a percent of total landed cost, 1982-87

Survey	1982	1983	1984	1985	1986	1987
			percent			
NFPA	9	9	9	11	13	15
United	28	30	31	31	32	35

The 1988 WSU survey results indicates that ocean transport accounts for an average of 32 percent of the landed cost of onions shipped from the Pacific Northwest to Japan. The responses ranged from 20 to 38 percent. Ocean freight represents about 19 percent of the landed cost of frozen french fries, with a range of 10 to 26 percent. Responses from hay exporters varied from 19 to 35 percent, averaging 25 percent. Apple exporters reported that ocean freight contributes 35 to 40 percent to the delivered cost, averaging about 37 percent.

About 52 percent of the WSU survey group felt that the Shipping Act of 1984 had resulted in higher rate levels for their commodities. Only 28 percent thought that the act had resulted in lower rates; 20 percent had no opinion or did not respond to the question. In a follow-up question, shippers were asked to evaluate how changes in rate levels had affected their product marketing. A total of 48 percent said that they had lost sales as a result of changed rate levels; 22 percent thought that they had lost entire markets. In comparison, 24 percent said that they had not lost any sales due to changes in rate levels.

Rate Volatility

In addition to rate levels, agricultural shippers are concerned with rate volatility. Due to seasonal production and demand, many agricultural commodities are exported within relatively short marketing seasons. Ocean freight rate volatility within these marketing seasons complicates the quotation of accurate and competitive landed-cost prices.

Respondents to the United, NFPA, NPC, and SPA surveys were asked to estimate the impact of the Shipping Act of 1984 on rate stability. Results are reported in Table 9. About 34 percent of the shippers did not have an opinion on this issue, but the majority of those who did respond indicated that their rates were more volatile as a result of the act. Only 10.4 percent of the United respondents and 4.3 percent of the NFPA respondents felt that their rates were less volatile as a result of the act. None of the peanut or potato shippers thought that rates were less volatile. A combined total of 38.4 percent felt that the act had resulted in more volatile freight rates.

The WSU survey addressed this issue, but the wording of the question was slightly different. Shippers were asked if the act increased or decreased freight rate volatility. Of the 50 respondents, 64 percent answered that rate volatility for their ocean container transportation increased as a result of the act. Only 18 percent said that the act had decreased rate volatility; 14 percent had no opinion.

The results from the five surveys indicate that the act has had an unfavorable impact on rate stability. Only 16 out of 149 respondents (10.7 percent) thought that rates were less volatile as a result of the Shipping Act of 1984. In comparison 70 out of 149 (47 percent) thought that the act had increased rate volatility. These results directly conflict with the FMC's conclusion that "Rate stability has not changed significantly since the 1984 act was passed."[(6)] Further analysis would be required to verify these opinions, and determine the impact of rate volatility on agricultural marketing and export competitiveness.

Table 9--Freight rate volatility

1. What impact has the Shipping Act of 1984 had on the stability of ocean freight rates for your commodities?

Survey	More volatile	Less volatile	Same	No opinion	No response
			percent		
NFPA	34.9	4.3	30.4	30.4	0.0
NPC	42.9	0.0	0.0	42.9	14.2
SPA	57.0	0.0	29.0	14.0	0.0
United	36.2	10.4	13.8	37.9	1.7
Combined	38.4	7.1	18.2	34.3	2.0

2. What effect has the Shipping Act of 1984 had on the volatility of your ocean rates for containers?

Survey	Increased	Decreased	No opinion	No response
WSU	64.0	18.0	14.0	4.0

Shipper Responses to Conference Freight Rate Increases

The United, NFPA, NPC, and SPA survey respondents were asked to identify their most frequent reaction to conference freight rate increases. A number of shippers marked more than one answer to the question, indicating that their reaction to rate increases depends on the prevailing alternatives. The most common response in both surveys was that shippers switch to non-conference carriers when conferences raise their rates (Table 10). This was especially true of forest product shippers. Over 78 percent said that they switched to non-conference alternatives, compared to about 38 percent of the fruit and vegetable shippers, and 57 percent of the peanut shippers.

The survey results also indicate that conference rate increases can directly impact shipper profitability and export competitiveness. For the five surveys combined, over 28 percent responded that they absorb conference rate hikes by reducing their profits. Over 20 percent said that they reduce or cease exporting to the market affected by the rate increase.

However, over 52 percent of forest product shippers responded that they negotiate rate reductions by using service contracts or independent action. This may be due to the fact that some lumber shippers have sufficient volume to charter entire vessels. This option can be used as leverage in negotiating for independent actions or service contracts. Only 15.5 percent of the United respondents, 14 percent of the SPA respondents, and none of the NPC respondents indicated that they were able to negotiate independent actions or service contracts subsequent to conference rate increases.

Table 10--Responses to conference freight rate increases

When ocean conference shipping rates have increased, which of the following has been your most frequent course of action?[1]

	Survey				
Response[1]	NFPA	NPC	SPA	United	Combined
			percent[1]		
Negotiate a rate reduction via independent action or service contract	52.2	0.0	14.0	15.5	23.2
Switch to nonconference carriers or charter vessel market	78.3	0.0	57.0	37.9	46.5
Absorb the rate increase in the form of reduced profits	47.8	14.3	0.0	27.6	28.3
Reduce or cease exporting to the markets affected by the rate increase	17.4	0.0	0.0	27.6	20.2
Take another course of action not listed above	13.0	14.3	14.0	12.1	13.1
No opinion	13.0	71.4	14.0	13.8	17.2

Note: [1] A number of shippers marked more than one answer. The sum of responses exceeds 100 percent for the United and NFPA surveys

The WSU survey addressed this issue in a different manner. Shippers were asked to estimate the impact of rate increases (conference or non-conference) on their export volume. The respondents estimated that if rates increased by 20 percent, their export volume would decrease by an average of 26.6 percent over the subsequent year. In addition, they estimated that a 20 percent decrease in

ocean transportation costs would increase their export volume over the following year by an average of 24.1 percent. Although these are general estimates, they demonstrate that shippers perceive that ocean freight costs are a key component in export competitiveness, and directly impact product sales.

Conferences

Should Conferences Be Eliminated?

There was a wide range of opinion on whether or not conferences should be eliminated. About 40 to 45 percent of the United, NPC, and WSU respondents favored the elimination of conferences (Table 11). In comparison, over 82 percent of the NFPA shippers favored elimination of conferences. Only 8.7 percent of the NFPA shippers opposed elimination of the conferences, compared to 36.2 percent and 32 percent responding to the United and WSU surveys. However, none of the SPA respondents favored the elimination of conferences; 43 percent thought that they should be retained. A total of 39 out of 149 shippers did not respond to this question, or had no opinion. In general, these results indicate that many shippers are dissatisfied with the conference system. For the five surveys combined, 45 percent said that the conference system should be eliminated. In comparison, only 28.8 percent indicated that the conference system should be retained. ACSA supports the revocation or curtailment of conference antitrust immunity, stating that "a totally free marketplace for ocean freight is essential for our continued ability to market overseas" (Appendix A).

Table 11--Should the conference system be eliminated?

Survey	Yes	No	No opinion	No response
		percent		
NFPA	82.6	8.7	8.7	0.0
NPC	42.9	0.0	42.9	14.3
SPA	0.0	43.0	57.0	0.0
United	39.7	36.2	22.4	1.7
WSU	44.0	32.0	18.0	6.0
Combined	45.0	28.8	22.8	3.4

The Impact of Eliminating Conferences on Ocean Liner Rates
As a follow-up to the previous question, the surveys included the following question: If conferences were eliminated, what would be the long-term impact on freight rates for the commodities you import or export? The majority of respondents indicated that rates would be the same or lower if conferences were eliminated. Only 6.9 percent of the United respondents, and none of the NFPA or NPC respondents thought that long-term rate levels would be higher in the absence of conferences (Table 12). A combined total of 70.5 percent indicated that rates would be the same, or lower, in the long-term without conferences. This issue was not addressed in the SPA survey.

Table 12--If conferences were eliminated, what would be the long-term long-term impact on freight rates for the commodities you import or export?

Survey	Lower rates	Higher rates	Same rates	No opinion
		percent		
NFPA	69.6	0.0	17.4	13.0
NPC	28.6	0.0	14.3	57.1
United	53.4	6.9	13.8	25.9
Combined	55.7	4.5	14.8	25.0

Shippers responding to a different question in the WSU survey were asked to estimate the percentage that rates would increase or decrease if conferences were eliminated. A total of 22 out of 50 shippers said that rates would decrease, by an average estimate of 15.7 percent. Only two shippers said that rates would increase, by an average of 27.5 percent. Three shippers said that rate levels would not change if conferences were eliminated. For the four surveys combined, only 6 out of 138 shippers (4.3 percent) felt that elimination of conferences would result in higher rate levels in the long term; 71 (51.4 percent) thought that rates would decrease. These were subjective judgments, but they demonstrate the degree to which shippers perceive that conferences restrain market competition.

The Impact of Conferences on Ocean Liner Services
Respondents to four of the surveys were asked to evaluate the quality of ocean liner service subsequent to the passage of the Shipping Act of 1984. "Service" was defined in the surveys to include three general elements: quantity and quality of shipping containers available, responsiveness to problems and complaints,

and satisfactory delivery of product.

Few shippers indicated that the level of conference carrier service was "better" after the passage of the act. Only 6.9 percent of the United respondents, and 8.7 percent of the NFPA respondents rated service as better than prior to the 1984 act (Table 13). For the four surveys combined, about 33 percent thought that the level of service was the same as before the act; about 18 percent felt that the level of service was worse than before the act.

Table 13--How would you rate the level of service offered (after passage of the act) by the conference carriers that transport your commodities?

Survey	Better service	Worse service	Same service	No opinion	No response
			percent		
NFPA	8.7	13.0	47.9	30.4	0.0
NPC	14.3	28.5	0.0	42.9	14.3
SPA	14.0	0.0	57.0	14.0	14.0
United	6.9	22.4	27.6	41.4	1.7
Combined	9.1	18.2	33.3	36.4	3.0

The significance of these results is uncertain, as shipper evaluations of the quality of service are likely to be quite subjective. However, it is noteworthy that only 9 out of 99 respondents felt that conference service levels have improved since the passage of the act. The exact nature of these problems cannot be identified from the. However, 72 percent of the shippers who responded to a different question in the WSU survey indicated that they had experienced problems obtaining ocean containers during the period from 1985 to 1988. In a follow-up question, 56 percent of the WSU respondents said that the shortage of containers caused them to lose particular sales; 10 percent indicated that they lost an entire market due to container shortages.

In addition, shippers were asked in the United and NPC survey to estimate the potential long-term impact of eliminating conferences on the level of carrier service. A combined total of 39 percent indicated that the level of service would be better without conferences; 20 percent said the level of service would stay the same. About 23 percent thought that the level of service would be worse in the long term without conferences. Twelve shippers (18 percent) had no opinion.

As noted in the previous section, many shippers feel that rates would decline if conferences were eliminated. In essence, they perceive that they are paying a rate "premium" for the continuance of the conference system. This premium could be considered compensation to carriers for the purported service benefits of conferences: space rationalization, vessel and equipment sharing arrangements, and coordinated sailing schedules. The survey results indicate that many shippers perceive either that these service benefits are not being fully realized, or are not commensurate with the cost of the rate premium. As a result, many shippers prefer that conferences be eliminated.

Independent Action

Mandatory Independent Action

The right of individual conference carriers to depart from conference pricing policy and take independent action is one of the key provisions of the Shipping Act of 1984. This rate option has been widely used; with over 10,000 independent actions filed by conferences in 1988.[6] According to FMC analysis, beef, poultry, hides, and tobacco shippers have frequently used independent action rates for a significant portion of their exports to Japan.[6] These independent actions typically resulted in 15 to 30 percent savings in ocean freight costs relative to the prevailing conference tariff rate.[6] As previously noted in Table 10, some shippers rely on independent action to reduce conference rates to competitive levels.

The survey results indicate that there is a great deal of support for mandatory independent action among agricultural shippers. A combined total of 79.8 percent of the United, NFPA, NPC, and SPA respondents indicated that conferences should be required to allow member carriers to take independent action on tariff rates or service items (Table 14). Only 6.1 percent felt that conferences should have the right to prohibit independent actions by their members. The support for mandatory independent action was nearly unanimous among forest product shippers. The ACSA position paper (Appendix A) indicates that cotton shippers also support continuance of the mandatory right of independent action, with no statutory time limit or notification period.

The WSU survey addressed this issue using a different question. Shippers were asked: "Should carriers within a conference have to charge the same rate, rather than each being allowed to file independent actions?" In response, 74 percent of the shippers answered "no," supporting the mandatory right of independent action. Only 18 percent felt that conference carriers should all charge the same rate; 8 percent had no opinion or did not respond. Furthermore, the WSU survey found that for the years 1985 to 1987, about 29 to 35 percent of the respondents' export volume was shipped under independent action rates.

Table 14--Do you feel that conferences should be required to allow member carriers to take independent action on tariff rates or service items?

Survey	Yes	No	No opinion
		percent	
NFPA	95.7	0.0	4.3
NPC	71.4	0.0	28.6
SPA	71.0	0.0	29.0
United	75.9	10.3	13.8
Combined	79.8	6.1	14.1

Maximum Notice Period for Independent Action
There has been some controversy over the length of the notice period that should be required for independent action. In a 1989 position paper, a group of ocean common carriers suggested that the notification period should be extended from 10 to 60 days.[8] Many shippers advocate a short notification period, to allow carriers to respond immediately to requests. Rate flexibility is important to agricultural shippers, due to short marketing seasons and intense foreign competition.

As indicated in Table 15, the majority of the survey respondents favor notification periods of 10 days or less. For the five surveys combined, 37.6 percent indicated that no notification period should be required; about 20 percent favored retention of the present 10 day period. A combined total of 23.5 percent favored notification periods of 30, 60, or 90 days.

These results are similar to recent FMC findings. About 40 percent of the shippers surveyed by the FMC favored no notification period for independent action.[6] Over 40 percent favored 10 days notice, while few shippers favored notification periods of 30 days or longer.[6] Shippers desire a tariff system that promotes responsive and flexible rate-making.

Table 15--Maximum days' notice period for independent action

Survey	0 days	10 days	30 days	60 days	90 days[1]	No opinion	No response
				percent			
NFPA	39.1	17.4	17.4	17.4	--	8.7	0.0
NPC	42.9	28.5	0.0	14.3	--	14.3	0.0
SPA	14.0	29.0	14.0	0.0	--	43.0	0.0
United	34.5	20.7	6.9	12.1	--	25.8	0.0
WSU	38.0	20.0	14.0	--	12.0	10.0	6.0
Combined	37.6	20.1	10.8	8.7	4.0	16.8	2.0

Note: [1] The WSU survey had a 90-day option, no 60-day response option

Service Contracts

Percentage of Cargo Shipped Using Service Contracts
Based on the survey results, the use of service contracts by agricultural shippers has been limited. About 41 percent indicated that they had not used service contracts. Only 23.2 percent had used service contracts for more than 25 percent of their shipments (Table 16). This may be primarily due to the ban on individual service contracts since 1986 by the TWRA conference. The Far East is the major market for agricultural products, and few shippers have been able to obtain conference contracts for shipments into that region since 1986.

The WSU survey results indicate that service contracts were used for a very low portion of Pacific Northwest export shipments. For the period 1985 to 1987, the respondents estimated that service contracts had been used for only 6 to 10 percent of their export shipments. Similar to the United survey, this may be attributed to the ban on individual conference service contracts in the Asia-bound trade route. In comparison, 59 to 64 percent of their shipments moved under the prevailing tariff rates, 29 to 35 percent by independent action rates.

Table 16--Percent of cargo shipped using service contracts

Survey	0	1-10	11-25	Over 25	No opinion	No response
			percent			
NFPA	52.3	21.7	4.3	21.7	0.0	0.0
NPC	71.4	0.0	0.0	0.0	28.6	0.0
SPA	29.0	29.0	0.0	28.0	14.0	0.0
United	36.2	13.8	6.9	25.9	12.1	5.1
Combined	41.4	16.2	5.1	23.2	11.1	3.0

Independent Action on Service Contracts
Conferences may prohibit their members from entering into individual service contracts with shippers. The mandatory right of independent action only applies to tariff items, not service contracts. A shipper study group formed by the FMC recently recommended that shippers have the unrestricted right to enter into service contracts, a position that has been opposed by most conference carriers.[9]

The vast majority of survey respondents favored the right of individual carriers and shippers to formulate service contracts at their own discretion. Over 77 percent of the United respondents, 71.4 percent of the NPC respondents, and 57 percent of the SPA respondents indicated that conference carriers should be allowed to take independent action on service contracts (Table 17). According to the WSU survey, 80 percent of the Pacific Northwest shippers felt that all carriers (conference or independent) should have the right to negotiate service contracts.

The NFPA survey addressed this issue in a different manner. Shippers were asked whether conferences should be able to prohibit their members from entering into service contracts. Over 91 percent responded that conferences should not be able to prohibit service contracts; none felt that conferences should retain this right. The ACSA position paper states that independent action is "necessary to maintain a competitive environment" (Appendix A). Agricultural shippers clearly feel that they should be able to negotiate with individual carriers for service contracts, and not be restrained by conference management decisions.

These results are consistent with the opinions of nonagricultural shippers. The 1987 nationwide FMC survey found that 76.8 percent of shippers favored independent action on service contracts, about 10 percent were opposed, and 13.3 percent had no opinion.[7] In addition, shippers ranked mandatory

independent action on service contracts as the "most needed" modification to the service contract provisions of the act.[7]

Table 17--Independent action on service contracts

1. Do you feel that conference carriers should be allowed to take independent action on service contracts?

Survey	Yes	No	No opinion	No response
		percent		
NPC	71.4	0.0	28.6	0.0
SPA	57.0	0.0	43.0	0.0
United	77.6	10.3	12.1	0.0
Combined	71.6	6.8	21.6	0.0

2. Should individual carriers (either in or out of conferences) have the right to negotiate service contracts?

WSU	80.0	12.0	6.0	2.0

3. Do you feel that conferences should be able to prohibit members from writing service contracts?

NFPA	0.0	91.3	8.7	0.0

Minimum Volume Requirement for Service Contracts

Shippers and carriers can negotiate the minimum volume commitment that will be required in the terms of a service contract. However, some carriers contend that a significant volume commitment should be required. They feel that contracts should be reserved for shippers that are able to pledge a large volume of cargo over an extended period of time. Some shippers support this view, but others contend that service contracts should be available to all shippers, regardless of the amount of cargo that they import or export. The terms of the contract should constitute a mutually beneficial agreement between the shipper and the carrier.

In several surveys shippers were asked to select from three potential minimum volume requirements for service contracts. Most of the respondents preferred low-volume commitment service contracts. Shippers indicated that there should

be either no minimum volume requirement, or a requirement of only 50 containers (Table 18). Only 10.2 percent of the respondents favored a 100-container minimum volume requirement.

Table 18--Minimum volume requirement for service contracts

Survey	No minimum	50 containers	100 containers	No opinion	No response
			percent		
NFPA	34.9	21.7	21.7	17.4	4.3
NPC	42.8	28.6	0.0	28.6	0.0
United	39.7	32.8	6.9	18.9	1.7
Combined	38.6	29.6	10.2	19.3	2.3

Disclosure of the Essential Terms of Service Contracts

Presently, every service contract must be filed with the FMC, and the "essential terms" made available for public inspection. The essential terms include: the port of origin, destination, commodity, minimum volume, and contract duration. The intent is to provide market information, and prevent discriminatory treatment of shippers. Furthermore, shippers can use this information to negotiate their own service contracts. However, some shippers consider contracts to be privately negotiated arrangements that should not be subject to disclosure requirements.

No clear consensus of opinion regarding contract disclosure is apparent from the results of the surveys. A slight majority (52 percent) of the WSU respondents favor disclosure of essential terms (Table 19). However, 57 percent of the SPA respondents favored confidentiality, a position shared by many of the respondents of the other surveys. For the five surveys combined, 41.5 percent favored disclosure, and 40.8 percent opposed disclosure. About 17 percent of the group had no opinion, or did not respond to the question.

Table 19--Disclosure of the essential terms of service contracts

Survey	Yes	No	No opinion	No response
		percent		
NFPA	39.1	43.5	17.4	0.0
NPC	42.9	42.9	14.3	0.0
SPA	14.0	57.0	29.0	0.0
United	37.9	41.4	19.0	1.7
WSU	52.0	36.0	10.0	2.0
Combined	41.5	40.8	16.2	1.5

Recent FMC analysis also indicates that shippers are sharply divided on this issue. The FMC found that low-and medium-volume shippers tended to favor public disclosure, but 59 percent of the high-volume shippers favored confidentiality.[6] Similar to these agricultural surveys, a small plurality favored non-disclosure of essential terms.[6] The majority of the ocean carriers surveyed by the FMC supported continued contract disclosure.

Tariffs

Tariff Filing and Enforcement

The issue of continued tariff filing and enforcement was addressed in four of the surveys, but not in a consistent format. The WSU survey respondents were asked whether tariff rates should be kept confidential, rather than filed with the FMC. In response, only 26 percent favored confidential rates, 64 percent opposed confidential tariff rates, and 10 percent had no opinion.

Second, shippers were asked if tariff rates should be enforced by the FMC. Fifty percent of the WSU respondents favored continued FMC tariff enforcement. Only 24 percent opposed FMC tariff enforcement, and 26 percent had no opinion or did not respond to the question. A total of 72.3 percent of the SPA and NPC survey groups favored continued tariff filing and enforcement by the FMC; none of the shippers were opposed (Table 20). The ACSA position paper indicates that cotton shippers also favor continued tariff filing and FMC enforcement. These results are consistent with FMC survey results which show that most shippers support continued tariff filing and enforcement.[6]

Table 20--Tariff filing and enforcement

Should tariffs be filed with, and enforced by, the FMC?

Survey	Yes	No	No opinion
		percent	
NPC	71.4	0.0	28.6
SPA	72.7	0.0	27.3
Combined	72.3	0.0	27.7

The Shipping Act of 1984 exempts forest products, bulk cargo, recycled metal scrap, and waste paper from tariff filing. Forest product exporters were asked in the NFPA survey whether they would prefer to continue to be exempt from FMC filing requirements. A total of 87 percent supported the continuation of their tariff-exempt status (i.e. non-disclosure). None of the shippers felt that forest products should lose their tariff-exempt status. This divergence of opinion regarding tariff filing between forest product shippers and other agricultural shippers warrants further study.

Tariff Surcharges

The present ocean freight tariff system is voluminous and quite complex. Freight rates usually vary by commodity, shipping origin, port of destination, season, product packaging, weight, and volume. In addition to the base rate, many conferences charge additional fees for container handling, port congestion, currency exchange costs, and vessel bunker fuel. These surcharges are not usually subject to negotiation. Some shippers contend that surcharges unduly complicate the rate discovery process, and prefer that surcharges simply be included in the base rate.

Four surveys addressed the issue of tariff surcharges. Shippers were asked whether or not currency adjustment factors and other surcharges should be allowed as separate add-on items to tariff freight rates. For the three surveys combined, almost 71 percent responded that surcharges should be eliminated as separate tariff add-on charges (Table 21). Only 14.1 percent favored the existing system where surcharges are added on to the tariff rate. The ACSA position paper advocates that the act be amended to require that carriers provide justification for new ancillary charges, and that the FMC have the authority to approve or deny the reasonableness of any proposed charges.

Table 21--Tariff surcharges

In your opinion, currency adjustment factors, bunker fuel surcharges, port congestion surcharges, and other tariff surcharges should be:

Survey	Charged as Separate tariff add-on items	Eliminated as separate add-on items	No opinion
		percent	
NFPA	13.0	74.0	13.0
NPC	42.8	28.6	28.6
SPA	0.0	71.0	29.0
United	13.8	74.1	12.1
Combined	14.1	70.7	15.2

Per-Container Rates

In August 1989, the TWRA conference and the American Trucking Association petitioned the FMC to ban the use of per-container rates for selected commodities. They felt that per-container rates encouraged overloading of containers, to the detriment of highway safety and port cargo handling. In response, several shippers argued that the petitioners had failed to adequately prove that container overloading was a pervasive problem, and that this issue was not within the purview of the FMC. Per-container rates are preferred by many exporters due to simplicity of rate quotations.

Respondents to the United, NPC, and SPA surveys were asked to select the tariff system that they would prefer. The survey questions were somewhat different, but both included the following response options: the existing tariff system, a weight/measurement tariff, and several types of per-container rates. In the United and SPA surveys, there was little support for the existing tariff system. Only 5.2 percent of the United respondents and 14 percent of the SPA respondents favored retention of the current system. The majority of respondents favored a per-container rate system. Most of the shippers indicated that the per-container rates should vary by the type of commodity, not a freight-all-kinds (FAK) basis. This opinion is shared by cotton shippers. The ACSA paper states that rate formation should be driven by the marketplace, and not restricted by the conferences or by statute (Appendix A).

Rebating

Section 10 of the Shipping Act of 1984 expressly prohibits rebating. Carriers must collect the full amount of the applicable tariff rate. However, recent FMC investigations have uncovered a number of violations of this provision of the act. This is an area of concern, due to the unfair competitive advantage afforded to shippers who obtain rebates.

About 48 percent of the United shippers indicated that rebating is a prevalent practice among conference carriers serving the United States (Table 22). However, the majority of NFPA and NPC respondents did not think that rebating is prevalent. For the three surveys combined, over 38 percent indicated that rebating was a common practice. Over 37 percent of the shippers had no opinion on this subject. The SPA and WSU surveys did not address this issue.

Table 22--Tariff rebating

Do you think that rebating is a prevalent practice among carriers that are members of conferences serving the United States?

Survey	Yes	No	No opinion	No response
		percent		
NFPA	21.7	56.6	21.7	0.0
NPC	14.3	14.3	71.4	0.0
United	48.3	10.3	39.7	1.7
Combined	38.7	22.7	37.5	1.1

In a follow-up question, shippers were asked whether rebating has had a negative impact on their export marketing (Table 23). A combined total of about 65 percent had no opinion or no response--probably indicating that this is not a major problem. About 29 percent of the United respondents, and 21 percent of the NFPA shippers, felt that rebating had a negative impact on their export marketing efforts.

Table 23--Perceived impact of rebating

Do you feel that carrier rebating has had a negative impact on your ability to market your commodities?

Survey	Yes	No	No opinion	No response
		percent		
NFPA	21.7	0.0	0.0	78.3
NPC	14.2	0.0	42.9	42.9
United	29.3	13.8	10.3	46.6
Combined	26.1	9.1	10.2	54.6

V. Conclusions

Despite the diversity of the survey groups, there was a consensus of opinion regarding many aspects of the Shipping Act of 1984. In general, the survey results indicate that agricultural shippers favor ocean liner regulation that promotes increased carrier competition, freight contracting, rate-making flexibility, and dissemination of market information.

Carrier Competition - Many shippers favor the elimination of ocean liner conferences. They perceive that eliminating the conference system would enhance the long-term level of carrier rate and service competition. Few shippers perceive that the result of eliminating conferences would be a long-term diminishment of service quality or increased rate levels.

If conferences are not eliminated, the survey results indicate that agricultural shippers support mechanisms that promote competition within the structure of the conference system. These mechanisms include (but are not limited to) mandatory independent action, and service contracts. Shippers perceive that both independent action and contracts promote carrier rate and service competition.

Freight Contracting - The survey results indicate that agricultural shippers strongly favor modification of the act to allow mandatory independent action on service contracts. Shippers desire ocean freight contracts to hedge against future rate increases, and to facilitate forward sales contracting.

Agricultural freight rates have been quite volatile since the passage of the act; and some respondents felt that rate volatility had adversely affected their ability to export. Shippers can hedge against market volatility by using service contracts to secure future rates and services, carriers can use contracts to hedge against potential adverse rate trends or ensure full use of vessel capacity. However, the 1984 act allows conferences to decide when, or if, members can formulate contracts. Some conferences have chosen to limit or prohibit members from writing individual contracts. Independent action on contracts would allow shippers and carriers to examine their own needs and enter into mutually beneficial agreements to effectively manage their market risks.

In addition, contracts allow shippers to quote complete landed-cost prices to buyers well in advance of the commodity harvest. For some shippers, the ability to quote future prices and forward contract sales is a key element in export marketing. Contracts can be tailored to provide the services necessary to meet the timing and logistical requirements of foreign customers. In general, contracts allow shippers to form a long-term partnership with carriers to establish and maintain markets.

Rate-Making Flexibility - The survey results indicate that shippers desire more rate-making flexibility. Three important areas were identified by the respondents: reduction in the notification period for independent action, low minimum volume requirements on service contracts, and per-container rates.

Perishable agricultural commodities are frequently sold within short, highly competitive marketing seasons. Shippers must be able to respond quickly to changes in the marketplace. Independent action allows carriers to respond to short-term rate or service requests by shippers. Few agricultural shippers support extending the notification period for independent action beyond the present 10-day period. Many of the survey respondents indicated that there should be no notification period for independent action.

Most shippers indicated that there should be little or no mandatory minimum volume requirement for service contracts. This flexibility allows shippers to tailor contracts to their own logistical needs and meet the individual needs of foreign customers. If volume requirements are low, contracts may be available to all shippers, not just firms that can commit a large volume of cargo.

The survey results also indicate that many shippers prefer the use of per-container rates. Per-container rates simplify the quotation of freight rates and product prices. This option is presently available for most commodities within the existing tariff system, but efforts are being made by some conferences to limit the use of per-container rates.

Dissemination of Market Information - The results indicate that shippers prefer that tariffs be filed with, and enforced by, the FMC. Shippers perceive value in the dissemination of market rate information, and equal treatment of shippers through tariff enforcement. However, forest product shippers indicated a strong preference for maintaining their tariff-exempt status. This divergence of opinion warrants further investigation.

Although there is some diversity of opinion, about 42 percent of the shippers favored public disclosure of the essential terms of service contracts. Disclosure of contracts assists shippers in their individual rate negotiations, by providing information on the status of present and future market conditions. However, some large-volume shippers favor non-disclosure of contracts, as they consider the essential terms to be proprietary information, and fundamental to the bargaining process.

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Appendix A--American Cotton Shippers Association Position Paper

This Statement was Prepared by ACSA for the Review of the Shipping Act

The Shipping Act of 1984 attempted to balance the interests of the ocean carriers who desired a system of strong liner conferences, against the majority of shippers who preferred a more open market maximizing competition between the carriers. The opinion of the steamship industry was, and still is, that they must be allowed to create cartels in order to collectively fix freight prices. Without this ability they predict that the predations of a competitive market place would cause the collapse of the shipping industry, to the detriment of shippers and the nation as a whole. In other words, they are admitting an inability to profitably conduct business in a free market. Shippers, on the other hand, are required by law to sell their products and conduct their affairs in precisely such a marketplace.

Most of the members of the American Cotton Shippers Association (ACSA) are involved in the sale and export of U.S. raw cotton into various world markets. Ocean freight is a crucial factor for two reasons. First, the level of rates is often the determining factor as to whether we are able to sell American cotton in competition with cotton grown in other countries. If conferences in the American trades are actively raising or maintaining unreasonably high levels of rates it becomes more difficult or impossible to market American cotton against foreign competitors. Second, merchants are frequently required to sell products for deferred delivery; in some cases up to 2 years in the future. If conferences dominate the area into which the cargo will be shipped, the merchant may not be able to cover the risk of freight increases through service contracts and may be further exposed to unpredictable freight increases.

The Shipping Act of 1984 worked quite well for the first years of its existence. However, we now find that the effectiveness is being rapidly eroded. This is being caused by the rapid increase of interlocking agreements authorized under Section 4 of the act that have effectively created a situation whereby nearly all available freight capacity in a given trade is either in a conference or linked to the conferences through these agreements. Dramatic and unjustified rate increases are now being frequently encountered.

For these reasons, our association strongly recommends rescinding, sharply limiting, or drastically modifying the antitrust immunities granted ocean carriers under the Shipping Act of 1984. We feel that a totally free market place for ocean freight is essential for our continued ability to market American cotton overseas.

Regarding specific issues, the association would like to offer the following recommendations:

1. Service Contracts

If conferences and similar agreements are allowed to continue with antitrust immunity, it is essential that individual conference members be allowed to take independent action on service contracts. This is necessary to maintain a competitive environment for those shippers utilizing these contracts in a market that is dominated by a conference.

2. Independent Action
Conference carriers should continue to have the right of independent action. Furthermore, conferences should no longer be allowed to restrict this right to any specific time limit or issue.

3. Tariff Filing
Tariffs should continue to be filed and regulated by the FMC. If carrier regulation is continued in a form similar to the Shipping Act of 1984, such filings are essential for effective enforcement of its provisions. Due to some abuses on the part of some conferences, the provision under Section 8.(D) which states "the commission, for good cause, may allow such a new or initial rate or change to become effective in less than 30 days" should be deleted. The determination of what is, or is not, good cause without proper public hearings tends to undermine the non-discriminatory intent of the act.

4. Federal Maritime Commission Agreement Oversight
While the FMC is empowered to seek injunctive relief against anti-competitive agreements under Section 6.(G) and 6.(H) of the act, they have been reluctant or disinclined to do so. It was obviously the intent of Congress that this provision would assure that no conference, agreement, or combination of the two would enable carriers to entirely eliminate competition from a trade. Most trades from the U.S. are currently covered by agreements or a series of interlocking agreements in which a considerable percent of the available liner capacity is involved. It is strongly recommended that oversight of agreements should be placed with the U.S. Department of Justice, which has jurisdiction over other aspects of competitive activity regulated under U.S. law. Further, no agreement should be allowed to take effect until public hearings, and legal recourse open to all interested parties have taken place.

5. Tariffs Based on Volume and Mass
Rates should be established and driven by an open and competitive marketplace. No restrictions should be allowed on the form of rates, whether imposed by statute or by a conference.

6. Open vs Closed Conferences
Allowance of closed conferences would be a further extension of antitrust immunity as currently provided under the act. A closed conference structure coupled with cargo restrictions could be detrimental to trade as a whole.

7. Shippers' Associations
As long as the ocean common carrier industry can enjoy broad antitrust immunity under the Shipping Act of 1984, it is essential that shippers be likewise allowed to form associations in order to collectively negotiate rates and services with carriers or conferences. The right of shippers to form associations controlling large blocks of cargo is one of the few mechanisms by which the power of conferences or carrier agreements can be counterbalanced.

8. Port Authorities and Terminal Operators
While no major abuses of the antitrust immunity granted this group have occurred, we see no reason for the continuance of this immunity. The distribution marketplace should be open and competitive to ensure that it will be responsive to the needs of the shipping public,

9. Neutral Body Policing
Section 5.(b)4 of the Shipping Act of 1984 mandates the employment of a neutral body to police compliance with a conference agreement by member carriers if requested by one of the members. Since all conference agreements must contain provisions preventing violation of Section 10 of the act and other malpractices, neutral bodies tend to relieve some of the enforcement burdens otherwise left to the FMC. Forcing agreements to be self-policing would tend to reduce the cost and administrative burdens now being incurred by the U.S. government. ACSA supports the concept that neutral body policing become mandatory for all agreements covered under Sections 4 and 5 of the act, and that such neutral bodies be approved and supervised by the FMC.

10. Non-Vessel-Operating Common Carriers (NVOCC's)
Problems have occurred when some NVOCC's have gone bankrupt or defaulted on service contracts leaving ocean carriers with uncollectible outstanding accounts. While it is the obligation of the carriers to assure the credit-worthiness of their customers, competitive pressures may force them to grant more lenience. Any excessive losses suffered by carriers in their dealings with NVOCC's will ultimately be paid by the shipping public through higher freight rates. Since NVOCC's are common carriers and subject to obligations similar to vessel operating carriers, a licensing and bonding system should be considered to provide some protection for shippers and carriers.

11. Ancillary Charges
With the reduction in competition caused by stronger conferences and interlocking agreements, freight rates have been fragmented into a base charge and additional charges such as currency adjustment factors (CAF), bunker fuel adjustment factors (BAF), terminal handling charges (THC), terminal receiving charges (TRC), container yard charges (CSC), container rental charges, strike surcharges, port congestion surcharges, revenue recovery surcharges, etc.

The levels of these additional charges often bear no relationship to the actual cost of the service being performed. The imposition of the charges frequently leads to disputes as to the responsibility for payment. It is not uncommon for ocean freight charges to contain six or more items in addition to the base freight rate. Rates are frequently misquoted by the carriers. To reduce the unnecessary confusion and disharmony that these ancillary charges cause, we propose that the Shipping Act of 1984 be amended to stipulate that:

a. Any charge filed by an ocean common carrier or conference to be assessed in addition to ocean freight be submitted with full justification to the FMC.

b. The FMC will publish the proposed charges and justifications for public comment. After considering comments the FMC shall rule as to whether the requested charge is justified.

c. If the FMC rules that the proposed charge is justified, the filing shall be accepted to be effective 30 days from the date of acceptance.

d. The carriers or conferences affected will be required to file monthly reports supporting the continued existence of the charge. These reports will be available to the general public. If the FMC determines through its own analysis or through public comment that the charge is no longer justified, the assessment of the charge shall cease immediately and be deleted from the tariff.

e. Shippers or interested parties shall be allowed to seek injunctive relief from an ancillary charge in Federal Court.

Appendix B--Survey Response Summaries

Survey	Year distributed	Number distributed	Number completed	Percent response rate
NFPA	1989	172	23	13.4
NPC	1990	42	7	16.7
SPA	1989	18	11	61.1
United	1988	430	58	13.5
WSU	1988	174	50	28.7
	Combined Total	836	149	17.8

Appendix C--The National Forest Products Association Survey

Name ____________________
Title ____________________
Company ____________________
Address ____________________

1. Which of the following categories best describes your business? (check as many as apply)

11.1% Tree Grower
52.8 Processor of forest products
2.8 Freight forwarder
33.3 Exporter
0.0 Other

2. What percent of your shipments are usually destined for export markets?

21.8% Less than 10%
30.4 10% - 25%
30.4 26% - 50%
8.7 51% - 75%
8.7 More than 75%

3. What nations are your major markets?

Australia (1), Barbados (1), Belgium/Luxembourg (2), Canada (1), China (1), Egypt (1), Italy (4), Jamaica (1), Japan (10), Mexico (2), Middle East (1), Netherlands (1), South Korea (6), Spain (5), Taiwan (8), Trinidad & Tobago (1), United Kingdom (6), West Germany (4)

4. What is the typical annual dollar value of exports/imports by your firm?

0.0% $0
0.0 Less than $250,000
4.3 $250,001 - $500,000
17.4 $500,001 - $1 million
4.3 $1 million - $5 million
26.1 $5 million - $10 million
43.6 Over $10 million

[No response- 4.3%]

5. For the following years, for what proportion of your export shipments did your firm arrange the ocean transportation?

[Annual average for the 23 respondents, responses ranged from 0 to 100%]

56% 1982
57 1983
62 1984
72 1985
74 1986
76 1987

6. For the following years, estimate the percentage of your total CIF (cost-insurance-freight) cost to your major market that was due to ocean transportation freight cost?

[Annual average for the 23 respondents]

9% 1982 [maximum- 35%]
9 1983 [maximum- 30%]
9 1984 [maximum- 40%]
11 1985 [maximum- 45%]
13 1986 [maximum- 55%]
15 1987 [maximum- 65%]

7. Do you think that conferences should be required to allow member carriers to take independent action on tariff rates or service items?

95.7% Yes
0.0 No
4.3 No opinion

8. Do you feel that conferences should be able to prohibit members from writing service contracts?

0.0% Yes
91.3 No
8.7 No opinion

9. In your opinion, what should be the maximum days notice period for independent action?

39.1% No notice period, immediate availability
17.4 10 days' notice
17.4 30 days' notice
17.4 60 days' notice
8.7 No opinion

10. Of the following choices, which do you feel would be the most appropriate minimum volume requirement for service contracts?

34.9% No minimum volume requirement
21.7 50 containers
21.7 More than 100 containers
17.4 No opinion

[No response- 4.3%]

11. Since 1984, what percentage of your exports have been shipped using a conference service contract?

52.3% 0% of exports
21.7 1% - 10%
4.3 11% - 25%
21.7 More than 25%

12. Should the essential terms of service contracts be made publicly available through filing with the Federal Maritime Commission?

39.1% Yes
43.5 No
17.4 No opinion

13. In your opinion, what should be the minimum notice period for a conference general rate increase (GRI)?

4.3% 30 days' notice
34.9 60 days' notice
56.5 More than 60 days' notice
4.3 No opinion

14. Should forest products continue to be exempt from FMC tariff filing requirements?

87.0% Yes
0.0 No
13.0 No opinion

15. Do you think that rebating is a prevalent practice among carriers that are members of conferences serving the U.S.?

21.7% Yes
56.6 No
21.7 No opinion

16. If you answered yes to question #15, do you feel that carrier rebating has had a negative impact on your ability to market forest products? (If you answered "no", or "no opinion" to question #15, proceed to question #17.)

21.7% Yes
0.0 No
0.0 No opinion

[No response- 78.3%]

17. How would you rate the level of service offered by the conference carriers who transport forest products? ("Service" would include the quantity and quality of containers available, responsiveness to problems and complaints, and satisfactory delivery of product.)

8.7% The level of service is BETTER than before the 1984 act
13.0 The level of service is WORSE than before the 1984 act
47.9 The level of service is about the SAME as before the act
30.4 No opinion

18. What impact has the Shipping Act of 1984 had on the stability of ocean freight rates for forest products?

34.9% Rates have been MORE volatile than before the 1984 act
4.3 Rates have been LESS volatile than before the 1984 act
30.4 Rates have been about the SAME as before the 1984 act
30.4 No opinion

19. When ocean conference shipping rates have increased, which of the following has been your most frequent course of action?

52.2% Negotiate a rate reduction via independent action or service contract
78.3 Switch to non-conference carriers, or vessel charter market
47.8 Absorb the rate increase in the form of reduced profits
17.4 Reduce or cease exporting to the markets affected by the rate increase
13.0 Take a course of action not listed above
13.0 No opinion

[Note: some respondents marked more than one answer.]

20. In your opinion, currency adjustment factors, bunker fuel surcharges, port congestion surcharges, and other tariff surcharges should be:

13.0% Allowed to be charged as separate add-on items to the tariff rate
74.0 Eliminated as separate add-on items to the tariff rates
13.0 No opinion

21. Should the ocean carrier conference system be eliminated?

82.6% Yes
8.7 No
8.7 No opinion

22. If conferences were eliminated, what would be the long-term impact on freight rates for forest products exports?

69.6% Freight rates would be LOWER than with the conference system
0.0 Freight rates would be HIGHER than with the conference system
17.4 Freight rates would be about the SAME as with the conference system
13.0 No opinion

23. Should U.S.-based shippers' associations be granted antitrust immunity to consolidate ocean freight and secure volume rates for U.S. shippers?

39.1% Yes
39.1 No
21.8 No opinion

Appendix D--The National Potato Council Survey

Name ____________________
Title ____________________
Company ____________________
Address ____________________

1. Which of the following categories best describes your business? (check as many as apply)

28.6% Grower/Shipper
42.9 Processor
28.6 Wholesaler/Broker
14.3 Exporter
14.3 Importer
28.6 Other

2. What Commodities do you--

export? Fresh potatoes-2, dehydrated potatoes, frozen potato products, processed potatoes
import? Snack food

3. What is the typical annual dollar value of exports/imports by your firm?

0.0% $0
0.0 Less than $250,000
28.6 $250,000 - $500,000
0.0 $500,001 - $1 million
14.3 $1 million - $5 million
28.6 more than $5 million

[No response- 28.6%]

4. For the following years, estimate the percentage of your total cif (cost-insurance-freight) cost to your major market that was due to ocean transportation freight cost?

[Annual average]

___% 1982
___ 1983
___ 1984
___ 1985 [None of the respondents provided detailed information]
___ 1986
___ 1987
___ 1988
___ 1989

5. Do you feel that conferences should be required to allow member carriers to take independent action on tariff rates or service items?

71.4% Yes
0.0 No
28.6 No opinion

6. Do you feel that conference carriers should be allowed to take independent action on service contracts?

71.4% Yes
0.0 No
28.6 No opinion

7. In your opinion, what should be the maximum days' notice period for independent action?

42.9% No notice period, immediate availability
28.5 10 days' notice
0.0 30 days' notice
14.3 60 days' notice
14.3 No opinion

8. Of the following choices, which do you feel would be the most appropriate minimum volume requirement for service contracts?

42.8% No minimum volume requirement
28.6 50 containers
0.0 More than 100 containers
28.6 No opinion

9. Since 1984, what percentage of your exports or imports have been shipped using a conference service contract?

71.4% 0% of imports or exports
0.0 1% - 10%
0.0 11% - 25%
0.0 More than 25%
28.6 No opinion

10. Should the essential terms of service contracts be made publicly available through filing with the Federal Maritime Commission?

42.9% Yes
42.9 No
14.2 No opinion

11. Should tariffs be filed with, and enforced by, the FMC?

71.4% Yes
0.0 No
28.6 No opinion

12. Which of the following ocean freight tariff systems would you most prefer?

42.9% The existing tariff system
14.3 A weight/measurement tariff, rates not varying by the type of commodity (FAK)
0.0 A tariff containing per-container rates, with rates not varying by type of commodity
14.3 A tariff containing per-container rates, with rates varying by the type of commodity
0.0 None of the options above
28.6 No opinion

13. Do you think that rebating is a prevalent practice among carriers that are members of conferences serving the U.S.?

14.3% Yes
14.3 No
71.4 No opinion

14. If you answered yes to question #13, do you feel that carrier rebating has had a negative impact on your ability to market your commodities? (If you answered "no", or "no opinion" to question #13, proceed to question #15.)

14.2% Yes
0.0 No
42.9 No opinion

[No response- 42.9%]

15. How would you rate the level of service offered by the conference carriers who transport your commodities? ("Service" would include the quantity and quality of containers available, responsiveness to problems and complaints, and satisfactory delivery of product.)

14.3% The level of service is BETTER than before the 1984 act
28.5 The level of service is WORSE than before the 1984 act
0.0 The level of service is about the SAME as before the act
42.9 No opinion

[No response- 14.3%]

16. What impact has the Shipping Act of 1984 had on the stability of ocean freight rates for your commodities?

42.9% Rates have been MORE volatile than before the 1984 act
0.0 Rates have been LESS volatile than before the 1984 act
0.0 Rates have been about the SAME as before the 1984 act
42.9 No opinion

[No response- 14.3%]

17. When ocean conference shipping rates have increased, which of the following has been your most frequent course of action?

0.0% Negotiate a rate reduction via independent action or service contract
0.0 Switch to non-conference carriers, or vessel charter market
14.3 Absorb the rate increase in the form of reduced profits
0.0 Take a course of action not listed above
14.3 No opinion

[No response- 71.4%]

18. In your opinion, currency adjustment factors, bunker fuel surcharges, port congestion surcharges, and other tariff surcharges should be:

42.8% Allowed to be charged as separate add-on items to the tariff rate
28.6 Eliminated as separate add-on items to the tariff rates
28.6 No opinion

19. Should the ocean carrier conference system be eliminated?

42.9% Yes
0.0 No
42.9 No opinion

[No response- 14.2%]

20. If conferences were eliminated, what would be the long-term impact on freight rates for the commodities you export or import?

28.6% Freight rates would be LOWER than with the conference system
0.0 Freight rates would be HIGHER than with the conference system
14.3 Freight rates would be about the SAME as with the conference system
57.1 No opinion

21. If conferences were eliminated, what would be the long-term impact on the level of service offered by ocean carriers?

14.3% The level of service would be BETTER than with the conference system
14.3 The level of service would be WORSE than with the conference system
71.4 The level of service would be about the SAME as with the conference system
0.0 No opinion

Appendix E--The Southeastern Peanut Association Survey

Name ______________________
Title ______________________
Company ______________________
Address ______________________

[Note: percentages may not total 100 percent due to rounding]

AREA I. STATISTICAL INFORMATION

1. Indicate which of the following categories describes your business:

100% Sheller/exporter
0 Dealer/exporter
0 Manufacturer/exporter

2. What percent of your total business is export? (Use a general average for the last 4 years.)

14% Less than 10%
43 10 - 25%
43 26 - 50%
0 51 - 75%
0 More than 75%

3. What is the typical annual dollar value of exports by your company? (Use a general average for the past 4 years, rounded to the nearest $100,000)

14% $500,000 - $1 million
14 $1 million - $5 million
29 $5 million - $10 million
14 $10 million - $20 million
14 More than $20 million

[No response- 14%]

4. What was your approximate annual volume (in metric tons) of product exported by ocean carriers in the following crop years:

YEAR	VOLUME	APPROX % CIF SHIPMENTS
1982	27,400 mt	33%
1983	28,800	32
1984	33,980	32
1985	42,000	18
1986	50,326	4
1987	41,548	1

5. In general, would you prefer to ship on a CIF basis, rather than FOB or FAS?

71% Yes
14 No
14 No opinion

6. Do you believe that more competitive ocean rates would increase your percentage of CIF business?

57% Yes
29 No
14 No opinion

AREA II. INDEPENDENT ACTION AND SERVICE CONTRACTS

7. Should conferences be required to allow member carriers to take independent action on tariff rates?

71% Yes
0 No
29 No opinion

8. How much time should be allowed for notice of independent action?

14% No notice period (immediate availability of rates)
29 10 days' notice
14 30 days' notice
0 60 days' notice
43 No opinion

9. Have you benefitted from the Shipping Act provision to allow independent action on tariff rates?

43% Yes
0 No
57 No opinion

10. Should conference carriers be required to permit independent action on service contracts? (Basically allow one individual line to sign service contracts.)

57% Yes
0 No
43 No opinion

11. As a shipper, do you support the right to negotiate service contracts?

71% Yes
0 No
29 No opinion

12. Indicate the approximate number of service contracts that your company has negotiated since 1984 with a conference line:

57% None
14 1 - 2 contracts
29 3 - 4 contracts
0 5 or more contracts

13. Indicate the approximate number of service contracts your company has negotiated since 1984 with a non-conference line:

57% None
29 1 - 2 contracts
14 3 - 4 contracts
0 5 or more contracts

14. Since 1984, what percentage of your exports have been shipped using a service contract?

29% 0%
29 1 - 10%
0 11 - 25%
29 More than 25%

15. Which of the following do you recommend as a minimum volume of containers for a service contract?

29% Fixed amount
14 Fixed percentage of shippers total cargo
0 None
43 No opinion

[No response- 14%]

16. Should service contracts be filed with the Federal Maritime Commission?

29% Yes
29 No
43 No opinion

17. Should the essential terms of service contracts be available to the general public?

14% Yes
57 No
29 No opinion

18. Should conferences be prohibited from negotiating and signing service contracts for their members?

14 Yes
43 No
43 No opinion

AREA III. CONFERENCES AND TARIFFS

19. Should the ocean carrier conference system be eliminated?

0% Yes
43 No
57 No opinion

20. How would you rate the level of service offered by the conference carriers who transport your commodities? ("Service" would include the quantity and quality of equipment available, responsiveness to problems and complaint, and satisfactory delivery of product.)

14% Service is better since 1984
0 Service is worse since 1984
57 No change

[No opinion/other response- 29%]

21. How stable have you found rates since the Shipping Act of 1984?

57% More volatile before 1984 act
0 Less volatile before 1984 act
29 About the same
14 No opinion

22. When conference rates have increased, which of the following is your most frequent course of action:

14% Negotiate a rate reduction via independent action (IA)
57 Switch to non-conference carriers
0 Absorb rate increase in form of reduced profits
0 Reduce or cease exporting to markets affected by rate increase
14 Other course of action
14 No opinion

23. Which of the following ocean freight tariff systems would you prefer?

14% The existing tariff system which permits rates based on either measure or weight, varying by commodity, and also lump-sum and FAK rates
0 A system based on measure or weight, but not varying by commodity
43 A lump-sum per container tariff, varying according to the commodities in the container
0 A freight all kinds (fak) system where all rates are per-container, irrespective of contents
29 No particular preference
14 Other option

24. In your opinion, tariff surcharges such as the currency adjustment factor, bunker fuel surcharge, port congestion charges, and wharfage charges should be:

0% Allowed to be charged as separate add-on items to the tariff
71 Eliminated as separate add-on items to the tariff
14 No opinion

[No response- 14%]

25. Indicate your preference to the following options on tariff structure:

72% Freight tariffs should continue to be filed with and enforced by the FMC
0 Freight tariffs should be filed with, but not enforced by the FMC
0 Freight tariffs should be made publicly available but neither filed with nor enforced by the FMC
0 Freight tariffs should be neither publicly available, nor filed with the FMC, nor enforced by it
28 No opinion

Appendix F--The United Fresh Fruit and Vegetable Association Survey

Name ______________________
Title ______________________
Company ______________________
Address ______________________

1. Which of the following categories best describes your business? (check as many as apply)

70.7% Grower/Shipper
32.8 Packer/Processor
17.2 Wholesaler/Broker
0.0 Retailer
41.4 Exporter
22.4 Importer
10.3 Other

2. What Commodities do you--

export? Apples-14, Citrus-13, Pears-11, Cherries-9, Grapes-8, Plums-6, Peaches-6, Melons-5, Lettuce-5, Celery-5
import? Pineapple-2, Melons-2, Kiwi-1, Apples-1, Grapes-1, and assorted vegetables.

3. What percent of your shipments are usually destined for export markets?

44.8% Less than 10%
34.5 10% - 25%
6.9 26% - 50%
3.4 51% - 75%
6.9 More than 75%

[No response- 3.5%]

4. What nations are your major markets?

Pacific Rim--77.6%, Western Europe--58.6%, Canada--15.5%, Central/South America--10.3%, Mideast--3.4%, Mexico--1.7%

[No response- 3.5%]

5. What is the typical annual dollar value of exports/imports by your firm?

0.0%	$0
1.7	Less than $250,000
12.1	$250,000 - $500,000
17.1	$500,001 - $1 million
65.6	More than $1 million

[No response- 3.5%]

6. For the following years, for what proportion of your export or import shipments did your firm arrange the ocean transportation?

[Annual average for the 58 respondents]

33 %	1982
32	1983
33	1984
35	1985
42	1986
43	1987

7. For the following years, estimate the percentage of your total cif (cost-insurance-freight) cost to your major market that was <u>due to ocean transportation freight cost</u>?

[Annual average for the 58 respondents]

28 %	1982
30	1983
31	1984
31	1985
32	1986
35	1987

8. Do you feel that conferences should be required to allow member carriers to take <u>independent action</u> on tariff rates or service items?

75.9%	Yes
10.3	No
13.8	No opinion

9. Do you feel that conference carriers should be allowed to take independent action on <u>service contracts</u>?

77.6% Yes
10.3 No
12.1 No opinion

10. In your opinion, what should be the <u>maximum days'</u> notice period for independent action?

34.5% No notice period, immediate availability
20.7 10 days' notice
6.9 30 days' notice
12.1 60 days' notice
25.8 No opinion

11. Of the following choices, which do you feel would be the most appropriate <u>minimum</u> volume requirement for service contracts?

39.7% No minimum volume requirement
32.8 50 containers
6.9 More than 100 containers
18.9 No opinion

[No response- 1.7%]

12. Since 1984, what percentage of your exports or imports have been shipped using a conference <u>service contract</u>?

36.2% 0% of imports or exports
13.8 1% - 10%
6.9 11% - 25%
25.9 More than 25%
12.1 No opinion

[No response- 5.1%]

13. Should the essential terms of service contracts be made publicly available through filing with the Federal Maritime Commission?

37.9% Yes
41.4 No
19.0 No opinion

[No response- 1.7%]

14. Which of the following ocean freight tariff systems would you prefer?

5.2% The existing tariff system
8.6 A weight/measurement tariff, rates not varying by the type of commodity (FAK)
29.3 A tariff containing per-container rates, with rates not varying by type of commodity
32.8 A tariff containing per-container rates, with rates varying by the type of commodity
5.2 None of the options above
10.3 No opinion

[No response- 8.6%]
[Note: some respondents marked more than one answer]

15. Do you think that rebating is a prevalent practice among carriers that are members of conferences serving the U.S.?

48.3% Yes
10.3 No
39.7 No opinion

[No response- 1.7%]

16. If you answered yes to question #15, do you feel that carrier rebating has had a negative impact on your ability to market your commodities? (If you answered "no", or "no opinion" to question #15, proceed to question #17.)

29.3% Yes
13.8 No
10.3 No opinion

[No response- 46.6%]

17. How would you rate the level of service offered by the conference carriers who transport your commodities? ("Service" would include the quantity and quality of containers available, responsiveness to problems and complaints, and satisfactory delivery of product.)

6.9% The level of service is BETTER than before the 1984 act
22.4 The level of service is WORSE than before the 1984 act
27.6 The level of service is about the SAME as before the act
41.4 No opinion

[No response- 1.7%]

18. What impact has the Shipping Act of 1984 had on the stability of ocean freight rates for your commodities?

36.2% Rates have been MORE volatile than before the 1984 act
10.4 Rates have been LESS volatile than before the 1984 act
13.8 Rates have been about the SAME as before the 1984 act
37.9 No opinion

[No response- 1.7%]

19. When ocean conference shipping rates have increased, which of the following has been your most frequent course of action?

15.5% Negotiate a rate reduction via independent action or service contract
37.9 Switch to non-conference carriers, or vessel charter market
27.6 Absorb the rate increase in the form of reduced profits
12.1 Take a course of action not listed above
13.8 No opinion

[Note: some respondents marked more than one answer.]

20. In your opinion, currency adjustment factors, bunker fuel surcharges, port congestion surcharges, and other tariff surcharges should be:

13.8% Allowed to be charged as separate add-on items to the tariff rate
74.1 Eliminated as separate add-on items to the tariff rates
12.1 No opinion

21. Should the ocean carrier conference system be eliminated?

39.7% Yes
36.2 No
22.4 No opinion

[No response- 1.7%]

22. If conferences were eliminated, what would be the long-term impact on freight rates for the commodities you export or import?

53.4% Freight rates would be LOWER than with the conference system
6.9 Freight rates would be HIGHER than with the conference system
13.8 Freight rates would be about the SAME as with the conference system
25.9 No opinion

23. If conferences were eliminated, what would be the long-term impact on the level of service offered by ocean carriers?

41.4% The level of service would be BETTER than with the conference system
17.2 The level of service would be WORSE than with the conference system
20.7 The level of service would be about the SAME as with the conference system
20.7 No opinion

Appendix G--The Washington State University Survey

1. What impact has the Shipping Act of 1984 had on the level of your ocean rates for containers?

Higher-		Lower-	
52%	Yes	28%	Yes
28	No	52	No
10	No opinion	10	No opinion

[No response- 10%] [No response- 10%]

2. How has the changed level of rates affected your marketing ability?

Lost a particular sale-		Lost a market-	
48%	Yes	22%	Yes
24	No	28	No
18	No opinion	16	No opinion

[No response- 10%] [No response- 34%]

3. What effect has the Shipping Act of 1984 had on the volatility of your ocean rates for containers?

Increased-		Decreased-	
64%	Yes	18%	Yes
18	No	64	No
14	No opinion	14	No opinion

[No response- 4%] [No response- 4%]

4. Has volatility in rates affected your marketing ability?

Lost a particular sale-

46% Yes
22 No
16 No opinion

[No response- 16%]

Lost a market-

20% Yes
26 No
14 No opinion

[No response- 40%]

5. Commodities of comparable loading and handling requirements (weight and mass) should have the same rate per container, rather than the present value of service rate system?

42% Yes
30 No
18 No opinion

[No response- 10%]

6. Should tariff rates be kept confidential rather than filed with the FMC?

26% Yes
64 No
10 No opinion

7. Should tariff rates be enforced by the FMC?

50% Yes
24 No
24 No opinion

[No response- 2%]

8. Should individual carriers (either in or out of conferences) have the right to negotiate service contracts?

80% Yes
12 No
6 No opinion

[No response- 2%]

9. Should the essential terms of service contracts be publicly available through filing with the FMC?

52% Yes
36 No
10 No opinion

[No response- 2%]

10. Should the parties to a service contract have the right to renegotiate that contract within the contract time period?

48% Yes
38 No
10 No opinion

[No response- 4%]

11. Should shippers be allowed to negotiate service contracts on either a percent of total volume or a minimum volume?

66% Yes
10 No
14 No opinion

[No response- 10%]

12. Should carriers within a conference have to charge the same rate, rather than each being allowed to file independent actions?

18% Yes
74 No
6 No opinion

[No response- 2%]

13. Should ocean conferences be open, meaning any individual carrier can join if it desires?

76% Yes
2 No
18 No opinion

[No response- 4%]

14. Should the conference system be eliminated?

44% Yes
32 No
18 No opinion

[No response- 6%]

15. Independent actions should be allowed in effect with how many days notice?

38% Immediately
20 After 10 days
14 After 30 days
12 After 90 days
10 No opinion

[No response- 6%]

16. Should a conference carrier of products exempt from FMC filing requirements have the right to Mandatory Independent Action (individually negotiate tariffs)?

58% Yes
12 No
26 No opinion

[No response- 4%]

17. Have you had problems obtaining containers in the past 3 years?

72% Yes
24 No
2 No opinion

[No response- 2%]

18. If yes [to question 17], has this problem affected your marketing ability?

Lost a particular sale-

56% Yes
18 No
4 No opinion

[No response- 22%]

Lost a market-

10% Yes
40 No
14 No opinion

[No response- 36%]

19. If transportation costs per container increased 20%, what do you think would happen to your export volume over the next year?

26.6% Decrease [Mean of responses]

20. If transportation costs per container decreased 20%, what do you think would happen to your export volume over the next year?

24.1% Increase [Mean of responses]

21. Per container, what is your current total ocean transportation rate to your most common market? (including the rate, and surcharges; BAF, CAF, THC, etc.)

[Mean of responses]

$ 870/container Hay
1,479/container Lumber
1,580/container Onions
3,402/container Processed products
5,049/container Apples

22. If shipping conferences were eliminated today, what do you think would happen to transportation rates?

22 Shippers said rates would decrease an average of 15.7%
2 Shippers said rates would increase an average of 27.5%
3 Shippers said rates would not change

[No response- 23 shippers]

23. If the Shipping Act of 1984 were repealed, what do you think would happen to transportation rates?

10 Shippers said rates would decrease an average of 18%
6 Shippers said rates would increase an average of 20%
2 Shippers said rates would not change

[No response- 32 shippers]

24. Is your firm a cooperative?

14% Yes
84 No

[No response- 2%]

25. How many years has your firm been in business?

36 years [Mean response]

26. How many years has your firm been exporting products?

21 years [Mean response]

27. How many tons, in total, do you ship in an average year?

72,457 tons	Hay shippers
136,680 tons	Lumber shippers
9,935 tons	Onion shippers
355,714 tons	Processed products shippers
68,446 tons	Apple shippers

28. What percent of that volume was exported over the last two years?

82%	Hay shippers
63	Lumber shippers
56	Onion shippers
21	Processed product shippers
41	Apple shippers

29. What percent of your exports were shipped by container?

81% [Mean response]

30. Do you use refrigerated containers?

48% Yes
50 No

[No response- 2%]

31. If yes [to #30], what percent of your containers are refrigerated?

85% [Mean response]

32. For 1985, please estimate what percent of you shipments went by:

59% Tariff rates 6% Service contracts 35% Independent action

33. For 1986, please estimate what percent of you shipments went by:

64% Tariff rates 6% Service contracts 30% Independent action

34. For 1987, please estimate what percent of you shipments went by:

61% Tariff rates 10% Service contracts 29% Independent action

35. About what percent of the final delivered price (port of destination) of your product is:

[Mean response]
apples- 37%, hay- 25%, lumber- 17%, onions- 32%, potatoes (frozen french fries)- 19%

36. Do you price--

Yes	No	
29%	11%	FOB origin
32%	7%	FOB port
32%	10%	Destination